

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
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P R 181250Z APR 78
FM AMEMBASSY BUCHAREST
TO SECSTATE WASHDC PRIORITY 9117
INFO AMEMBASSY BELGRADE
AMEMBASSY BUDAPEST
AMEMBASSY MOSCOW
AMEMBASSY VIENNA
AMEMBASSY WARSAW

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C O R R E C T E D C O P Y (TEXT)

DEPT PASS USDA/FAS
VIENNA AND BELGRADE FOR AGRICULTURAL ATTACHES

E.O. 11652: N/A
TAGS: EAGR, OVIP, RO
SUBJ: BRIEFING MATERIAL FOR SECRETARY BERGLAND'S
VISIT
REF: STATE 094513

1. AS REQUESTED REFTEL, BRIEF OVERVIEW OF AGRICULTURAL
SITUATION IN ROMANIA FOLLOWS:

ROMANIA'S ECONOMIC PERFORMANCE WAS MIXED IN 1977.
WHILE ABOVE-PLAN INCREASES WERE REGISTERED IN THE
INDUSTRIAL PRODUCTION AND WORKER PRODUCTIVITY SECTORS,
BELOW-TARGET RESULTS WERE NOTED IN NATIONAL INCOME,
AGRICULTURAL PRODUCTION, INVESTMENT, FOREIGN TRADE,
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RETAIL SALES AND SERVICES TO THE POPULATION. OVERALL,
TOTAL AGRICULTURAL PRODUCTION OFFICIALLY DROPPED
1.3 PERCENT IN COMPARISON TO 1976 RESULTS. IN
ADDITION, IN ANNOUNCING 1977 PLAN RESULTS, THE GOR
ACKNOWLEDGED OFFICIALLY FOR THE FIRST TIME THAT THE
MARCH 4 EARTHQUAKE AND ITS AFTERMATH HAD A NEGATIVE
EFFECT ON THE ECONOMY, INCLUDING AGRICULTURE. DAMAGE

ESTIMATES RANGE BETWEEN 1-2 BILLION DOLLARS.

ABOUT HALF OF ROMANIA'S TOTAL GRAIN PRODUCTION IS PRODUCED EACH YEAR IN THAT HANDFUL OF COUNTIES BORDERING ON THE DANUBE RIVER. AS A RESULT, PRODUCTION CAN FLUCTUATE GREATLY DUE TO DROUGHT OR EXCESSIVE RAIN AFFECTING A RELATIVELY SMALL AREA. THIS FACTOR ALSO AFFECTS OTHER CROPS SUCH AS SUGAR BEETS, SOYA BEANS, SUNFLOWERS AND POTATOES. IN 1977, DROUGHT CONDITIONS WERE EXPERIENCED THROUGHOUT A LARGE PORTION OF ROMANIA'S SOUTHERN REGION AND RESULTED IN CONSIDERABLE CROP LOSSES. ON THE OTHER HAND, CERTAIN PROBLEMS ENCOUNTERED IN THE LIVESTOCK SECTOR WERE DUE TO THE CONDITION OF THE 1976 CORN CROP AND NOT THE 1977 DROUGHT.

IN ADDITION TO THE TRADITIONAL WEATHER PROBLEM, AGRICULTURE CONTINUES TO BE PLAGUED BY STRUCTURAL WEAKNESSES. EXAMPLES ARE: A LACK OF QUALIFIED LABORERS, A GENERALLY AGING FARM POPULATION, UNDER-EMPLOYMENT, AN OVER-PREPONDERANCE OF WOMEN IN THE WORK FORCE, LACK OF INCENTIVES TO PRODUCE, LACK OF LARGE HORSEPOWER TRACTORS CAPABLE OF ENABLING PLANTING TO TAKE PLACE DURING THE OPTIMUM PERIOD, A CHRONIC SHORTAGE OF TRANSPORT DURING HARVEST, AND A GENERAL LACK OF GRAIN DRYING AND STORAGE FACILITIES.

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AGRICULTURE CONTINUES TO EMPLOY OVER ONE-THIRD OF THE TOTAL WORK FORCE IN ROMANIA, AND PROVIDES ABOUT 18 PERCENT OF THE NATION'S PRODUCT. HOWEVER, IN TERMS OF PRIORITY, AGRICULTURE RECEIVES ONLY SECONDARY ATTENTION IN ROMANIA'S DRIVE TOWARD INDUSTRIALIZATION. THE AGRICULTURAL SECTOR WAS ALLOCATED ONLY 14 PERCENT OF THE TOTAL INVESTMENT IN THE SOCIALIST SECTOR LAST YEAR. SINCE THIS FIGURE WAS ABOVE THE 11.6 PERCENT ANNUAL AVERAGE TARGETED IN THE CURRENT FIVE-YEAR PLAN, IT MAY MEAN A REDUCTION IN SUBSEQUENT YEARS.

THE OVERALL ECONOMY IS EXPECTED TO REGISTER HEALTHY GROWTH IN 1978 AS COMPARED WITH MOST OF ITS OTHER EUROPEAN NEIGHBORS. INFLATION, AT LEAST OFFICIALLY, IS EXPECTED TO REMAIN BELOW ONE PERCENT. AS THE LOSSES RESULTING FROM THE EARTHQUAKE ARE RECOVERED, AND WITH RENEWED PRODDING BY THE GOVERNMENT HIERARCHY, ALL SECTORS INCLUDING AGRICULTURE SHOULD INCREASE THEIR OUTPUT. IT IS INTERESTING TO NOTE THAT IN THE FIRST QUARTER OF 1978, THE GOVERNMENT HAS ANNOUNCED A SERIES OF ECONOMIC REFORM MEASURES THAT IF IMPLEMENTED COULD LEAD TO SOME MEASURE OF

DECENTRALIZATION AND ENCOURAGE ECONOMIC EFFICIENCY.
DESPITE THE FACT THAT FEW OF THE 1977 AGRICULTURAL
TARGETS WERE MET, THE PLANNED LEVELS OF PRODUCTION
FOR 1978 ARE EVEN HIGHER. THE CHANCES OF MEETING
THESE GOALS ARE EXCEEDINGLY SLIM, EVEN IF NORMAL
WEATHER CONDITIONS PREVAIL.

2. A SPECIFIC SUBJECT WE FEEL SHOULD BE RAISED BY
SECRETARY BERGLAND HAS TO DO WITH CCC CREDITS. GOR
HAS ONLY USED \$23 MILLION OF TOTAL PLANNED ALLOCATION
BY USDAO OF \$45 MILLION FOR FY 1978. FACT THAT MORE
CREDITS ARE AVAILABLE SHOULD BE POINTED OUT TO
MINISTER OF AGRICULTURE MICULESCU AND MINISTER OF
TRADE BURTICA. WE HAVE ALREADY MADE THIS POINT AT
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WORKING LEVEL MEETINGS IN BOTH MINISTRIES.

3. SPECIFIC SUBJECT WHICH COULD BE RAISED BY GOR IS
RELATED TO AGRICULTURAL TRADE ACT OF 1978, CURRENTLY
UNDER DISCUSSION IN CONGRESS. GOR IS AWARE OF BILL PROVI-
SIONS AND WILL BE MOST INTERESTED IN ANY INFORMATION
CONCERNING PROPOSED MEDIUM-TERM COMMERCIAL-CREDIT PROGRAM
FOR FINANCING U.S. EXPORTS.
SIMONS

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